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**FISCAL IMPACT STATEMENT**

**LS 6992**

**BILL NUMBER:** HB 1219

**NOTE PREPARED:** Mar 25, 2003

**BILL AMENDED:** Mar 24, 2003

**SUBJECT:** Provisional Tax Bills and Emergency Borrowing.

**FIRST AUTHOR:** Rep. Kuzman

**FIRST SPONSOR:** Sen. Landske

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) This bill establishes temporary provisional property tax billing procedures for a county in which the general reassessment is not completed by the statutory completion date. It requires a county to distribute collections to taxing units in the county within 51 days after the property tax due date. This bill also permits the Department of Local Government Finance (DLGF) to adopt emergency rules before January 1, 2005.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** (Revised)

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) *Provisional Tax Statements:* If a county that will have late property tax billings in 2003 elects to use provisional statements, the distributions to local units and school corporations could be made in a more timely manner. On-time distributions could reduce or eliminate the need for any short-term debt that units may otherwise need to assume for cash flow, and could consequently reduce interest payments.

Counties that choose to send provisional statements would incur additional administrative costs. At a minimum, these counties would have additional computer programming costs to compute the tax due for the provisional statement and then later to reconcile the provisional payments with the actual liabilities. Since it would be up to the county treasurer to make the election to send provisional statements, the treasurer would decide if it is a cost-effective measure or not.

**Explanation of Local Revenues:** (Revised) *Provisional Tax Statements:* Currently, property tax bills are sent out in March or April with two equal payments due on May 10 and November 10 of a year. Tax bills must be sent at least 15 days before the first due date. As a result of the ongoing work to complete the current reassessment, many counties will not be able to send tax bills out in a timely manner in 2003, the result being later payment of property taxes and later distributions to local units and school corporations in 2003.

This bill would allow county treasurers to send provisional tax statements in 2003 if the county auditor does not deliver the abstract to the county treasurer by March 16, 2003. Provisional tax statements in 2003 would be based on 50% of the taxpayer's 2002 property tax liability. However, upon request of a county auditor, the DLGF Commissioner would be able to authorize provisional statements based on up to 70% of the 2002 billing amount.

Property taxes that are billed on a provisional statement in 2003 would be due on June 15, 2003 or another date designated by the DLGF Commissioner upon request of the county treasurer. The county treasurer would send a reconciling statement to each taxpayer after the abstract is received and final taxes are calculated. If the amount paid on the provisional statement is less than the actual tax bill, the taxpayer would have 30 days after receipt of the reconciling statement to pay the difference. The DLGF Commissioner may designate a later due date upon the county treasurer's request. Payment would, in any case, be due before the May 2004 tax installment is due. A taxpayer may claim a refund of any overpayment.

The bill would require county auditors to distribute the tax collections to the appropriate units within 60 days after the due date of a provisional or reconciling tax statement.

**State Agencies Affected:** Department of Local Government Finance; State Board of Accounts.

**Local Agencies Affected:** Local governmental units; School corporations.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859